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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/23/08

INDEX:

- (1) Poll on Fukuda cabinet, political parties, MSDF Indian Ocean refueling mission, HCV relief legislation (Mainichi) 2
- (2) DPJ to submit counterproposal against government's budget bill (Mainichi) 3
- (3) Cabinet adopts legislation designed to maintain provisional gasoline tax rate to submit it to Diet in afternoon (Yomiuri) 4
- (4) U.S. force realignment splits city hosting base; Iwakuni mayoral election near at hand (Asahi) 5
- (5) The reason why Japan cannot dispatch GSDF troops (Sankei) 7
- (6) Global shares plunge: Impact of U.S. interest rate cut to be watched closely; Can a breakthrough be made as falling stock prices show no sign of hitting bottom? (Yomiuri) 8

ARTICLES:

- (1) Poll on Fukuda cabinet, political parties, MSDF Indian Ocean refueling mission, HCV relief legislation

MAINICHI (Page 3) (Full)
January 21, 2008

Questions & Answers

(T = total; P = previous; M = male; F = female)

Q: Do you support the Fukuda cabinet?

T P M F
Yes 33 (33) 31 35
No 45 (44) 54 37
Not interested 18 (21) 13 23

Q: (Only for those who answered "yes" to the above question) Why?

T P M F
Because the prime minister is from the Liberal Democratic Party 27
(22) 28 26
Because something can be expected of the prime minister's leadership
9 (11) 6 10
Because there's something stable about the prime minister 36 (37) 37
36
Because something can be expected of the prime minister's policy
measures 21 (13) 22 20

Q: (Only for those who answered "no" to the above question) Why?

T P M F
Because the prime minister is from the Liberal Democratic Party 9
(12) 9 10
Because nothing can be expected of the prime minister's leadership
29 (28) 27 32
Because there's no fresh image about the prime minister 10 (8) 10
10
Because nothing can be expected of the prime minister's policies 50
(40) 53 46

TOKYO 00000172 002 OF 010

Q: Which political party do you support?

T P M F
Liberal Democratic Party (LDP) 28 (26) 26 29
Democratic Party of Japan (DPJ or Minshuto) 24 (27) 28 20
New Komeito (NK) 5 (4) 4 6
Japanese Communist Party (JCP) 3 (3) 3 3
Social Democratic Party (SDP or Shaminto) 2 (1) 1 2
People's New Party (PNP or Kokumin Shinto) 1 (0) 1 0
New Party Nippon (NPN or Shinto Nippon) 0 (0) 0 --
Other political parties 0 (1) 1 0
None 37 (35) 36 37

Q: The Diet has now enacted a new antiterrorism special measures law, under which Japan will resume the Maritime Self-Defense Force's refueling activities for foreign naval vessels in the Indian Ocean. Do you support this action?

T P M F
Yes 47 50 45
No 42 46 39

Q: The ruling coalition passed the new antiterror legislation in a second vote of the House of Representatives with a majority of two-thirds after it was voted down in the House of Councillors. Do you think this way of passing a bill is appropriate?

T P M F
Yes 46 50 42
No 44 47 42

Q: The ruling coalition may pass budget-related bills and other legislative measures in a second vote of the House of Representatives with a majority of two-thirds. Do you support this?

T P M F
Yes 38 38 38
No 51 57 45

Q: The DPJ did not introduce a censure motion against Prime Minister Fukuda over the new antiterror law's enactment in a second vote. Do

you think this decision was appropriate?

T P M F
Yes 48 54 43
No 35 39 31

Q: In the wake of class-action lawsuits instituted against the government by hepatitis C victims who contracted the disease from government-approved blood products, the Diet has enacted a law to provide across-the-board relief to all hepatitis C victims. The government has failed to reach a settlement on this HCV issue, so lawmakers initiated legislation to help them out. Do you appreciate Prime Minister Fukuda for his decision over this issue?

T P M F
Yes 58 57 60
No 35 40 30

(Note) Figures shown in percentage, rounded off. "0" indicates that the figure was below 0.5 PERCENT. "--" denotes that no respondents answered. "No answer" omitted. Figures in parentheses denote the

TOKYO 00000172 003 OF 010

results of the last survey conducted Dec. 15-16.

Polling methodology: The survey was conducted Jan. 19-20 over the telephone across the nation on a computer-aided random digit sampling (RDS) basis. Answers were obtained from 1,031 persons.

(2) DPJ to submit counterproposal against government's budget bill

MAINICHI (Page 5) (Abridged)
January 23, 2008

Daisuke Kondo

The major opposition Democratic Party of Japan's (DPJ) Budget Research Council yesterday shaped a bill to change the previous functions of budget as a counterproposal against the government's budget bill. The DPJ plans to introduce its bill in the current ordinary session of the Diet. In advancing debates on budget-related bills, including the one related to the provisional tax rate for special revenue sources, the DPJ intends to prod the government to dissolve the Lower House for a snap general election. The DPJ's bill presents a broad overview of the budget it would draft if it comes to power. It also contains the procedures for securing fiscal resources for the DPJ's key policies related to, for instance, agriculture and child allowances. It also takes on an aspect of being a pre-manifesto for the next Lower House election.

Budgetary handouts rejected

The DPJ's bill specifies financial sources for five key policies as mentioned in its manifesto used for the latest Upper House election, for instance, family income compensation and child allowances shall be secured.

Family income compensation and child allowances both require a vast amount of financial burden with the former one trillion yen and latter 4.8 trillion yen. So, the government and the ruling bloc are criticizing this policy as being unrealistic and just dole-outs. To deal with that criticism, the DPJ indicates in its bill seven specific steps for securing fiscal sources, one of which is in principle to review special accounts.

Establishment of debt management agency

In order to counter the criticism that the DPJ's policy is pork-barrel largesse, the party specifies measures toward achieving fiscal soundness. Particularly on primary balance, the DPJ's bill expressly stipulates that a primary balance surplus shall be achieved by fiscal 2011. As part of this effort, the bill states a debt management agency shall be established to manage and make clear the state's assets and debts. In order for budget to be compiled under political leadership, the bill specifies that the work of budget-compilation be transferred from the Finance Ministry to the

Cabinet Office.

Main points of the DPJ's bill

Fundamental philosophy: Promote the achievement of primary balance; and aim to achieve a primary balance surplus by 2011

Key policies: Integrate the public pension programs into one system; expand child-rearing allowances; creating an income compensation

TOKYO 00000172 004 OF 010

system for individual farmers; reform the subsidies system for local public entities; and expand help to small and medium-sized firms

Principles for expenditure cut: Curtail costs of public procurement; drastically review public works projects; drastically review the reform of special public corporations; abolish in principle special account; curb the total personnel costs for civil servants employed by government; review special tax measures; and make good use of government assets.

How to compile budget: Establish a debt management agency; create a budget under the cabinet's leadership

(3) Cabinet adopts legislation designed to maintain provisional gasoline tax rate to submit it to Diet in afternoon

YOMIURI NET (Excerpts)
13:18, January 23, 2008

The government adopted at an ad hoc cabinet meeting this morning tax reform-related bills, including one to revise the Special Taxation Measures Law.

The government will submit them to the House of Representatives this afternoon. The bill amending the Special Taxation Measures Law is intended to maintain the provisional tax rates, including the gasoline tax. If it fails to clear the Diet by the end of March, gasoline prices will drop and the central and local governments' tax revenues will also decline. Although the government and ruling parties are aiming to enact it within the current fiscal year, the major opposition Democratic Party of Japan (DPJ or Minshuto) intends to oppose it. Diet deliberations on the bill are expected to face rough going.

At the ad hoc cabinet meeting, Finance Minister Fukushima Nukaga said: "The bill is directly connected with the people's livelihood. A failure to enact it before the end of this fiscal year would have grave impacts on the people's day-to-day lives as well as on economic activities. It must be enacted within this fiscal year."

Unless the bill amending the Special Taxation Measures Law is enacted before March 31, the provisional tax rates that are added to the regular gasoline tax and other taxes will be eliminated, and as a result, the gasoline price, for instance, will drop by 25.1 yen per liter starting in April. At the same time, it will be tax increases in some cases. For instance, corporate tax breaks for small- and mid-sized companies that made capital investment will be eliminated.

Dubbing the current Diet session the "gasoline Diet," the DPJ is calling for the abolition of the provisional tax rates. In the meantime, the government and ruling parties are aiming to enact the legislation before March 31, saying that (the elimination of the provisional tax rates) will reduce the tax revenues for the central and local governments and increased gasoline consumption will have an adverse effect on the environment.

The DPJ asked the gasoline tax part be separated from the legislation, but the government and ruling coalition rejected it and decided to submit it some 10 days earlier than usual with the aim of enacting it within the current fiscal year. Although some Upper House LDP members are calling for the bill's passage of the Lower

TOKYO 00000172 005 OF 010

House within January, the party leadership intends to send it to the upper chamber around mid-February, thinking that an inappropriate step would throw the Diet into turmoil.

(4) U.S. force realignment splits city hosting base; Iwakuni mayoral election near at hand

ASAHI (Page 2) (Abridged)
January 20, 2008

The official campaign for the February 10 Iwakuni mayoral election will kick off on Feb. 3. The relocation of a carrier-based air wing to the U.S. air station in the city is the top campaign issue. The race is expected to be a duel between former mayor Katsusuke Ihara, 57, who is opposed to the relocation, and Liberal Democratic Party House of Representatives member Yoshihiko Fukuda, 37, who is backed by pro-relocation municipal assemblymen and others. Although the Ministry of Defense (MOD) intends to push ahead with the relocation plan regardless of the outcome of the election, the Prime Minister's Official Residence (Kantei), which is searching for a way to elicit talks on base issues in Okinawa, fears that the conflict with local residents in Iwakuni will intensify, too.

At a rally on the afternoon of Jan. 19, Ihara, appearing before some 1,700 people, said:

"The number of U.S. aircraft will double, and no explanation can dispel our concerns about noise, accidents, and crimes. Placing high priority on relations with the United States, the government is trying to unilaterally force this plan on us."

The government has frozen subsidies totaling 3.5 billion yen for building a new Iwakuni city hall due to Ihara's opposition to the plan. Ihara criticized the government's step as "unbelievably aggressive."

The Fukuda camp, opening a campaign office at around the same time, also held a rally near the major tourist attraction Kintai Bridge. Before some 800 people, Fukuda stressed: "Iwakuni's economy is depressed. I will turn Iwakuni into a city that is comfortable to live in."

The point at issue is clear: whether to reject the relocation plan by placing high priority on making citizens feel secure and safe, or to accept the plan in order to elicit financial support from the government.

Ihara has always been tolerant of the base itself. The government announced the subsidies for building a city hall in return for accepting air tankers from Futenma Air Station by Ihara's predecessor. Ihara has never objected to the relocation from Futenma.

But he said 'no' to the relocation of the carrier-based air wing, because that would double the number of aircraft at the Iwakuni base, turning it into a major air base in the Far East on par with Kadena Air Base in Okinawa. Ihara's stance further stiffened with the government's decision to freeze the subsidies for the planned city hall. "The government is trying to control us by using the carrot-and-stick approach," Ihara said.

Ihara's reaction drew fire from the predominantly pro-relocation

TOKYO 00000172 006 OF 010

city assembly. The assembly voted down four times the budgetary bills designed to fund the construction cost with other financial sources. Their view is that the city should accept the relocation plan and obtain the subsidies.

Two years ago, Ihara initiated a local referendum, in which he successfully extracted popular will overwhelmingly opposed to the relocation. Ihara also submitted his resignation on December 26, the day he presented the municipal assembly with a budget bill for the fifth time, only to announce his candidacy for the mayoral race later in the day.

His aim is to press the municipal assembly for change on the strength of "new popular will" and say 'no' to the central government with the assembly. Ihara said at the rally that if he was elected and the conflict with the assembly still continued, he could recall the assembly.

Fukuda, in accepting the relocation, said, "I will cooperate for the sake of U.S. force realignment." With Ihara's strategy of playing up popular will in mind, Fukuda is also trying to present himself as a person determined to take solid measures against noise, telling people, "I will not be at the beck and call of the central government." Assemblymen tolerant of the relocation plan have often held small meetings in which they repeatedly asked, "Should the city take a pragmatic approach and open a bright future, or take the path toward bankruptcy?" One even said: "I am ready to quit as an assemblyman."

MOD: There will be absolutely no change

Immediately after the Iwakuni mayoral race was set late last year, Deputy Chief Cabinet Secretary Masahiro Futehashi grilled a senior MOD official over the deeply complicated base issue.

Futehashi's discontent comes from the belief that MOD's subsidy policy as part of the carrot-and-stick approach under the former Koizumi and Abe administrations has stiffened the stance of municipalities opposed to increased base burdens.

Last October, Ihara asked the government to set up a venue to discuss matters, including a resumption of the subsidies. But MOD said that it would comply with the request only if he was willing to accept the relocation. This further strained the relationship between the two.

The government, clearly deciding to take a dialogue approach toward Okinawa, resumed talks with the affected municipalities after a lapse of 10 months. But toward Iwakuni, it keeps a stern attitude, with one MOD official saying: "The situations between Okinawa and Iwakuni are completely different."

In order to implement the Futenma relocation plan, landfill for airfield construction requires authorization of the governor, so the government needs to obtain the concurrence of the affected municipalities as well. In contrast, Iwakuni mayor does not have the authority to stop the relocation project. The Kantei thinks Iwakuni is less important than the Futenma relocation that will be implemented in exchange for moving 8,000 U.S. Marines to Guam. Even if the Iwakuni remains opposed to the relocation, U.S. force realignment can move forward. "There will be no change to the realignment project even if Mr. Ihara wins the race," a MOD official

TOKYO 00000172 007 OF 010

said.

(5) The reason why Japan cannot dispatch GSDF troops

SANKEI (Page 7) (Excerpts)
January 23, 2008

By Hiroshi Yuasa, Tokyo

The situation in Afghanistan, which has now become the main battlefield in the war on terror, is far severer than that in Iraq. Signs of revival of Islamic Taliban militants have begun to appear centering on the snow-covered mountainous areas near the Pakistani border. Although President Karzai has been able to maintain his administration due to his ability to raise funds from the international community, funds into the country have been dwindling. The end of the flow of money might be the end of love.

In 2006, the feeble administration smoothed over past crimes by military cliques in the name of national reconciliation, pardoning the outlaws who had been involved in torturing and slaughtering during the Taliban era and giving cabinet portfolios to bloody warlords. The stable situation in Afghanistan began deteriorating

that year.

At present, 40,000 NATO-led multinational troops are deployed in Afghanistan. The figure, which is quite small for maintaining law and order in the country, includes 14,000 troops from the United States. Washington has decided to send an additional 3,200 troops to be prepared against the offensive this spring.

A variety of information is flying about, such as that Canadian troops are having a hard time in the Taliban's old heartland of Kandahar, or that seven Taliban militants have entered the inland city of Bamiyan.

Having suffered tremendously in civil wars, the Afghan people tend to take the side of forces with power in order to live.

Meanwhile in Japan, the government presented a bill to resume the refueling operation in the Indian Ocean and the Democratic Party of Japan submitted a bill to send ground troops. After many twists and turns, the House of Representatives readopted the government-sponsored bill in the end. It was the right decision.

The DPJ-sponsored legislation was designed to limit support activities to the civilian sector after a ceasefire agreement is reached and to areas where no Afghan people sustained damage. Foreign Minister Masahiko Koumura is not the only one who thinks specifying safe areas is difficult.

Unlike in the southern Iraqi city of Samawah, there are no troops from the Netherlands or Britain to defend Ground Self-Defense Force troops in Afghanistan. Already 117 persons from Britain, Canada and the Netherlands have died. The presence of troops not allowed to take combat action would only be a drag. Sending out ground troops requires sufficient equipment, permission for combat, and the preparedness to result in loss of life.

What does Japan want to do in Afghanistan? -- This was the question posed to me by Yukari Ota of the UN Afghan mine support center, who was temporarily back in Japan. Stationed in 2004 at a local office

TOKYO 00000172 008 OF 010

in northern Afghanistan, Ota endeavored for the dismantlement of military cliques. Currently she is serving as the center's special assistant in the country's capital of Kabul.

"Fostering a tribal society into a nation state is extremely difficult. It takes decades instead of a couple of years. Troops from major countries are aiming at 'reconstruction.' What is Japan's aim?"

Japan does not have any desire to dispatch combat troops. Sending the Maritime Self-Defense Force's supply ship and destroyer to support multilateral forces in the Indian Ocean is just the right step for such a country. An MSDF destroyer will depart from the Yokosuka base on Jan. 24 and a supply ship from the Sasebo base on Jan. 25.

(6) Global shares plunge: Impact of U.S. interest rate cut to be watched closely; Can a breakthrough be made as falling stock prices show no sign of hitting bottom?

YOMIURI (Page 3) (Excerpts)
January 23, 2008

Falling prices on the stock market are showing no sign of hitting bottom. Tokyo stocks yesterday plunged for the second straight day. Stock prices also tumbled in the markets of newly emerging countries in Asia. The impact of the U.S. subprime loan crisis is increasingly becoming serious. The Federal Reserve Board (FRB) yesterday further lowered the interest rate as an emergency measure, but the New York Stock Exchange opened broadly lower. In Japan, the impact of the subprime loan fiasco is becoming a real possibility. Moves on the Tokyo Stock Exchange (TSE) today are drawing attention.

Blow on Japanese economy could become real possibility

The Nikkei Stock Average dropped 1,288 points in two days. A male company employee in his 60s complained, "Since the speed of the fall is too fast, it's hard to find the right timing to sell off my stocks. I took part in many lecture meetings, but half of the projections analysts made were not wrong."

BOJ Governor Toshihiko Fukui held a press conference at the BOJ head office at 3:30 p.m. yesterday. He indicated a sense of alarm, noting, "Investors are increasingly avoiding taking risks. The subprime loan flap could have a negative impact on the Japanese economy through consumers' sentiment."

Optimism disappears

Disappointment at U.S. President Bush's economic stimulus package worth up to 150 billion dollars (approximately 16 trillion yen), released on Jan. 18, has triggered the global stock plunges. The prevailing market response to the package is that tax breaks will not lead to a fundamental settlement of the subprime risk and the proposed size is also insufficient, which has given rise to U.S.-induced global stock falls. A chain reaction of stock market plunges spread from the U.S., Europe, Japan and to Asia, forcing the FRB to lower the interest rate as an emergency measure.

Among stock markets in Asian countries, the stock price index in Hong Kong fell more than 8 PERCENT, compared with the level of the previous day. The Mumbai market in India was forced to close

TOKYO 00000172 009 OF 010

temporarily.

There was a media report noting that the Bank of China, China's four major state-run commercial banks, will report huge amounts of deficits sustained by the subprime loan fiasco, leading to a view that the decoupling theory that even if the economics of advanced countries slow, it can be covered with high growth of newly emerging economies has been smashed, as Takeshi Segawa of Shinko Securities noted.

U.S. stocks moved in an unstable manner, plummeting and then slightly recovering, after the FRB lowered the interest rate. Tsuyoshi Nomaguchi of Daiwa Securities warned, "If the U.S. fails to

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stop its economy from slowing, the impact of the subprime loan calamity is bound to be felt by Japanese and Asian markets as well."

Corporate performances, consumption could lose steam

Growing concern

Concern about Japanese companies' performances deteriorating has grown due to major stock price falls, which nobody had expected at the end of last year.

The electronic appliances industry, which hopes to see expanded sales of flat-screen TVs with the Beijing Olympic Games close at hand in August, is becoming nervous about stock prices, which do not show any sign of hitting bottom. A Victor Co. of Japan source noted, "Audio visual devices are for highly personal favorite pursuit. We are especially concerned that consumers might lose buying motives due to the low stock prices."

Toyota Motors, which has increased sales on the brisk overseas markets, cannot afford not to take notice of the impact of the stumbling stock prices. Its estimated sales volume in the US is 2.64 million units, up 1 PERCENT from the preceding year, and 700,000 units in China, up 40 PERCENT. However, one related industrial source pointed out, "If the economies of both countries cool off, even Toyota would suffer a major blow."

Naoko Kamiyama of Morgan Stanley said, "If Japanese companies project a profit decline in the fiscal 2008 settlement of accounts, stock prices could fall further."

According to Hideo Kumano of the Dai-ichi Life Insurance Economic Research Center, latent profits of stocks held by the six major financial groups as of Jan. 22 had shrunk from approximately 8.1 trillion yen, marked at the end of September 2007, to approximately 3.4 trillion yen. Some life insurers appear to have sustained latent losses.

Personal consumption

Stock plunges have begun to deal a blow to consumer spending. An increase in the prices of various consumption goods caused by soaring crude oil prices is affecting people's lives. Seibu Department Stores noted that sales of high-prices goods, such as jewelry, are slowing.

Toshifumi Suzuki, chairman of Seven and I Holdings said, "Stock plunges are having a significant psychological impact. Consumers

TOKYO 00000172 010 OF 010

will tighten their purse strings.

Low stock prices could dampen spring wage negotiations as well. The top leaders of the Japan Business Federation (Nippon Keidanren) and the Japanese Trade Union Confederation will meet today, marking a practical start of the spring wage battle for 2008. Nippon Keidanren has shown a positive stance toward the idea of raising wages, but now they are increasingly becoming cautious about it.

The trade union's side underscored that consumption would not be boosted without pay raises. However, the growth scenario of full-fledged recovery of consumption, backed by recovered wages, will likely be derailed.

SCHIEFFER